

**CAL
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2010

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CAL COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2009 Election)		
Mark Johansen	President	2009
Steve Muhlenbruch	Vice President	2011
Beth Eddy		2011
Theron Miller		2009
Shawn Elphic		2009

(After September 2009 Election)		
Steve Muhlenbruch	President	2011
Shawn Elphic	Vice President	2013
Beth Eddy		2011
Theron Miller		2013
Todd Mensing		2013

School Officials

Steven Lane	Superintendent
Beverly Stratmann	District Secretary
Marlys Pralle	District Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
CAL Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of CAL Community School District, Latimer, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of CAL Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2011 on our consideration of CAL Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 31 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CAL Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

March 8, 2011

CAL COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

CAL Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,845,516 in fiscal 2009 to \$2,758,489 in fiscal 2010 (3% decrease), while General Fund expenditures increased from \$2,810,972 in fiscal 2009 to \$2,910,895 in fiscal 2010 (4% increase).
- The decrease in General Fund revenues was primarily attributable to decreases in state revenues. The increase in expenditures was due primarily to an increase in expenses in instructional areas, the largest part of the budget. This indicates the District's emphasis on the classroom.
- Statewide sales, services and use tax are being used to maintain and upgrade the facilities.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of CAL Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report CAL Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which CAL Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the Student Activity Fund and a multiyear comparison of revenues and expenses.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

CAL Community School District Annual Financial Report

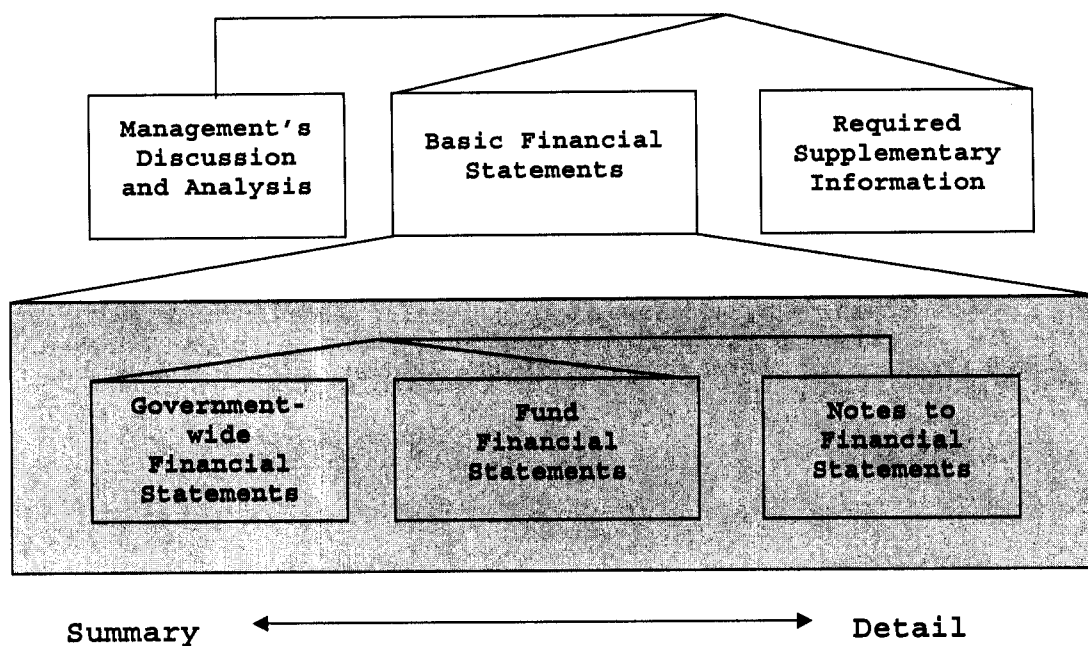


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services
Required financial statements	<ul style="list-style-type: none"> . Statement of net assets . Statement of activities 	<ul style="list-style-type: none"> . Balance sheet . Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> . Statement of net assets . Statement of revenues, expenses and changes in fund net assets . Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, Debit Service and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to the year ending June 30, 2009.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current assets	\$ 2,862	2,983	69	69	2,931	3,052	-3.96%
Capital assets	<u>2,176</u>	<u>2,211</u>	<u>-</u>	<u>-</u>	<u>2,176</u>	<u>2,211</u>	<u>-1.58%</u>
Total assets	<u>5,038</u>	<u>5,194</u>	<u>69</u>	<u>69</u>	<u>5,107</u>	<u>5,263</u>	<u>-2.96%</u>
Current liabilities	1,505	1,458	-	1	1,505	1,459	3.15%
Non-current liabilities	<u>365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>365</u>	<u>-</u>	<u>0.00%</u>
Total liabilities	<u>1,870</u>	<u>1,458</u>	<u>-</u>	<u>1</u>	<u>1,870</u>	<u>1,459</u>	<u>28.17%</u>
Net Assets							
Invested in capital assets, net of related debt	2,176	2,211	-	-	2,176	2,211	-1.58%
Restricted	528	505	-	-	528	505	4.55%
Unrestricted	<u>464</u>	<u>1,020</u>	<u>69</u>	<u>68</u>	<u>533</u>	<u>1,088</u>	<u>-51.01%</u>
Total net assets	<u>\$ 3,168</u>	<u>3,736</u>	<u>69</u>	<u>68</u>	<u>3,237</u>	<u>3,804</u>	<u>-14.91%</u>

Total net assets decreased primarily from drops in the General and Capital Projects Funds. The General Fund decreased by over \$150,000 due to a combination of declining enrollment, reduced tuition revenues and a large midyear cut in state source revenues. The Capital Projects Fund decreased as existing funds were used for building improvement projects.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4
Changes in Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues:							
Program revenues:							
Charges for service and sales	\$ 92	128	61	62	153	190	-19.47%
Operating grants, contributions and restricted interest	874	670	86	86	960	756	26.98%
General revenues:							
Property tax	1,282	1,267	-	-	1,282	1,267	1.18%
Income surtax	158	127	-	-	158	127	24.41%
Statewide sales, services and use tax	164	171	-	-	164	171	-4.09%
Unrestricted state grants	757	954	-	-	757	954	-20.65%
Unrestricted investment earnings	23	25	-	-	23	25	-8.00%
Other	23	11	-	-	23	11	109.09%
Total revenues	<u>3,373</u>	<u>3,353</u>	<u>147</u>	<u>148</u>	<u>3,520</u>	<u>3,501</u>	<u>0.54%</u>
Program expenses:							
Governmental activities:							
Instruction	2,744	2,175	-	-	2,744	2,175	26.16%
Support Services	745	697	-	-	745	697	6.89%
Non-instructional programs	-	-	147	132	147	132	11.36%
Other expenses	450	284	-	-	450	284	58.45%
Total expenses	<u>3,939</u>	<u>3,156</u>	<u>147</u>	<u>132</u>	<u>4,086</u>	<u>3,288</u>	<u>24.27%</u>
Change in net assets	\$ <u>(566)</u>	<u>197</u>	<u>-</u>	<u>16</u>	<u>(566)</u>	<u>213</u>	<u>-365.73%</u>

Property tax and unrestricted state grants account for 58% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,289,269 and expenses were \$3,938,487 for the year ended June 30, 2010.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenditures, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
Total Cost of Services			Net Cost of Services			
2010	2009	Change 2009-2010	2010	2009	Change 2009-2010	
Instruction	\$ 2,744	2,175	26.16%	1,926	1,487	29.52%
Support services	745	697	6.89%	720	691	4.20%
Other expenses	450	284	58.45%	327	180	81.67%
Totals	\$ 3,939	3,156	24.81%	2,973	2,358	26.08%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$91,546.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$584,717.
- The net cost of governmental activities was financed with \$1,281,567 in property tax and \$757,194 in state foundation aid. State aid dropped almost \$200,000 from the prior year.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2010 were \$147,594 and expenses totaled \$147,219. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted CAL Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,229,529 a thirteen percent decrease from last year's ending fund balances of \$1,421,204. The majority of the decrease resulted from the decreases in the Capital Projects and General Fund.

Governmental Fund Highlights

- The General Fund decreased in large part due to the largest state aid cut in history.
- The District collects statewide sales, services and use taxes which will be used for purchase and improvement of facilities.

Proprietary Fund Highlights

The School Nutrition Fund balance increased slightly. Careful monitoring of expenses is necessary to achieve this.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 31 and 32.

Legal Budgetary Highlights

The District's receipts were \$131,955 less than budgeted receipts, a variance of 4%. Federal stimulus monies were used to partially cover state aid cuts.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. The District manages or controls General Fund spending through its line-item budget. Increased infrastructure spending caused the District to exceed the published budget in the other expenditures function. The District did not exceed its General Fund unspent authorized budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$2.1 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 1% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$102,799.

The original cost of the District's capital assets was \$4,718,432. Governmental funds account for \$4,691,729, with the remainder of \$26,703 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 10	10	-	-	10	10	0.00%
Site improvements	26	29	-	-	26	29	-10.34%
Buildings	1,945	2,011	-	-	1,945	2,011	-3.28%
Furniture and equipment	195	161	-	-	195	161	21.12%
Totals	<u>\$ 2,176</u>	<u>2,211</u>	<u>-</u>	<u>-</u>	<u>2,176</u>	<u>2,211</u>	<u>-1.58%</u>

Long-Term Debt

The District's long term debt consisted of two parts. One, an early retirement program totaling \$234,951. Of this, \$92,430 will be paid in FY11. Two, the District is now required to recognize the costs associated with providing health benefits to retirees. See Note 8 to the financial statements on Page 29 for a more detailed description.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Adequate allowable growth is necessary to maintain current educational programs.
- The percentage of Dows students in grades 9-12 open enrolled or requested affected student status to CAL continues to decrease, having a direct effect on funding.
- Although the District has experienced declining enrollment in recent years, the District expects to maintain a stable enrollment for a few years. If the Legislature provides adequate allowable growth the District can maintain its financial position.
- State aid was cut in December 2008 and October 2009. These cuts make it difficult for the District to expand educational opportunities.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Beverly Stratman, District Secretary, CAL Community School District, 1441 Gull, Latimer, IA 50452.

Basic Financial Statements

CAL COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental	Business Type Activities	
	Activities	School Nutrition	Total
Assets			
Cash and pooled investments	\$ 1,348,915	67,299	1,416,214
Receivables:			
Property tax:			
Current year	15,976	-	15,976
Succeeding year	1,307,143	-	1,307,143
Income surtax - succeeding year	127,834	-	127,834
Due from other governments	62,674	-	62,674
Inventories	-	1,713	1,713
Capital assets, net of accumulated depreciation	2,175,905	-	2,175,905
Total assets	5,038,447	69,012	5,107,459
Liabilities			
Accounts payable	29,484	-	29,484
Salaries and benefits payable	168,552	431	168,983
Deferred revenue:			
Succeeding year property tax	1,307,143	-	1,307,143
Long-term liabilities:			
Portion due within one year:			
Early retirement	92,430	-	92,430
Portion due after one year:			
Early retirement	142,521	-	142,521
Net OPEB liability	129,812	-	129,812
Total liabilities	1,869,942	431	1,870,373
Net assets			
Invested in capital assets, net of related debt	2,175,905	-	2,175,905
Restricted for:			
Management levy	192,355	-	192,355
Physical plant and equipment levy	229,851	-	229,851
Capital projects	104,022	-	104,022
Categorical funding	2,385	-	2,385
Unrestricted	463,987	68,581	532,568
Total net assets	\$ 3,168,505	68,581	3,237,086

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:	\$ 2,743,528	90,711	726,614	(1,926,203)	-	(1,926,203)
Support services:						
Student services	3,218	-	-	(3,218)	-	(3,218)
Instructional staff services	66,954	-	-	(66,954)	-	(66,954)
Administration services	262,378	-	-	(262,378)	-	(262,378)
Operation and maintenance of plant services	213,080	-	23,922	(189,158)	-	(189,158)
Transportation services	199,200	835	-	(198,365)	-	(198,365)
	744,830	835	23,922	(720,073)	-	(720,073)
Other expenditures:						
AEA flowthrough	123,551	-	123,551	-	-	-
Facilities acquisition and construction	243,059	-	-	(243,059)	-	(243,059)
Depreciation (unallocated) *	83,519	-	-	(83,519)	-	(83,519)
	450,129	-	123,551	(326,578)	-	(326,578)
Total governmental activities	3,938,487	91,546	874,087	(2,972,854)	-	(2,972,854)

CAL COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Expenses				Total
Business type activities:				
Non-instructional programs:				
Nutrition services	147,219	61,731	85,863	375
			-	375
Total	<u>\$ 4,085,706</u>	<u>153,277</u>	<u>959,950</u>	<u>375</u>
			<u>(2,972,854)</u>	<u>(2,972,479)</u>
General Revenues:				
Property tax levied for:			\$ 1,059,418	-
General purposes			114,775	-
Management			107,374	-
Capital outlay				107,374
Income surtax:				
General purposes			104,637	-
Capital outlay			53,080	-
Statewide sales, services and use tax			164,271	-
Unrestricted state grants			757,194	-
Unrestricted investment earnings			22,566	-
Other			22,711	-
			<u>2,406,026</u>	<u>2,406,026</u>
Total general revenues				
Change in net assets			(566,828)	375
Net assets beginning of year			3,735,333	68,206
Net assets end of year			<u>\$ 3,168,505</u>	<u>68,581</u>
				<u>3,237,086</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

Assets

Cash									
Receivables:									
Property tax:									
Current year									
Succeeding year									
Income surtax - succeeding year									
Due from other governments									
	\$	800,875	83,278	190,924	183,082	90,756	1,348,915		
		13,209	-	1,431	1,336	-	15,976		
		1,059,855	-	135,000	112,288	-	1,307,143		
		84,556	-	-	43,278	-	127,834		
		47,253	-	-	2,155	13,266	62,674		
Total assets	\$	2,005,748	\$ 83,278	\$ 327,355	342,139	104,022	2,862,542		

Liabilities and Fund Balance

Liabilities:									
Accounts payable	\$	29,484	-	-	-	-	29,484		
Salaries and benefits payable		168,552	-	-	-	-	168,552		
Deferred revenue:									
Succeeding year property tax		1,059,855	-	135,000	112,288	-	1,307,143		
Succeeding year income surtax		84,556	-	-	43,278	-	127,834		
Total liabilities		1,342,447	-	135,000	155,566	-	1,633,013		
Fund balances:									
Reserved for categorical funding		2,385	-	-	-	-	2,385		
Unreserved, reported in:									
Capital projects		-	-	-	-	104,022	104,022		
Special revenue fund		-	83,278	192,355	186,573	-	462,206		
General fund		660,916	-	-	-	-	660,916		
Total fund balance		663,301	83,278	192,355	186,573	104,022	1,229,529		
Total liabilities and fund balances	\$	2,005,748	\$ 83,278	\$ 327,355	342,139	104,022	2,862,542		

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2010

Total fund balances of governmental funds (Exhibit C)	\$ 1,229,529
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**Amounts reported for governmental activities in the Statement of Net Assets
are different because:**

Income surtax receivable at June 30, 2010 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	127,834
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	<u>2,175,905</u>
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:

Other postemployment benefits	(129,812)	
Early retirement	<u>(234,951)</u>	<u>(364,763)</u>

Net assets of governmental activities (Exhibit A)	<u>\$ 3,168,505</u>
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CAL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2010

	General	Student Activity	Management	Physical Plant and Equipment Levy	Capital Projects	Total
Revenues:						
Local sources:						
Local tax	\$ 1,148,248	-	114,775	151,550	164,271	1,578,844
Tuition	90,711	-	-	-	-	90,711
Other	54,068	133,941	23,922	-	-	211,931
State sources	1,158,283	-	-	-	-	1,158,283
Federal sources	307,179	-	-	-	-	307,179
Total revenues	<u>2,758,489</u>	<u>133,941</u>	<u>138,697</u>	<u>151,550</u>	<u>164,271</u>	<u>3,346,948</u>
Expenditures:						
Current:						
Instruction	<u>2,129,130</u>	<u>153,984</u>	<u>68,586</u>	<u>27,065</u>	<u>-</u>	<u>2,378,765</u>
Support services:						
Student services	3,218	-	-	-	-	3,218
Instructional staff services	66,954	-	-	-	-	66,954
Administration services	262,378	-	-	-	-	262,378
Operation and maintenance of plant services	159,374	-	53,706	-	-	213,080
Transportation services	<u>166,290</u>	<u>-</u>	<u>13,630</u>	<u>-</u>	<u>-</u>	<u>179,920</u>
	<u>658,214</u>	<u>-</u>	<u>67,336</u>	<u>-</u>	<u>-</u>	<u>725,550</u>

CAL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2010

	General	Student Activity	Management	Physical Plant and Equipment Levy	Capital Projects	Total
Other expenditures:						
AEA flowthrough	123,551	-	-	-	-	123,551
Facilities acquisition and construction	-	-	-	50,046	260,711	310,757
	123,551	-	-	50,046	260,711	434,308
Total expenditures	2,910,895	153,984	135,922	77,111	260,711	3,538,623
Net change in fund balances	(152,406)	(20,043)	2,775	74,439	(96,440)	(191,675)
Fund balances beginning of year	815,707	103,321	189,580	112,134	200,462	1,421,204
Fund balances end of year	\$ 663,301	83,278	192,355	186,573	104,022	1,229,529

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances - Governmental Funds
 to the Statement of Activities

Year ended June 30, 2010

Net change in fund balances - total governmental funds (Exhibit E) \$ (191,675)

*Amounts reported for governmental activities in the Statement of
 Activities are different because:*

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities. This represent the change from FY09 to FY10

24,711

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 67,698	
Depreciation expense	<u>(102,799)</u>	(35,101)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

Other postemployment benefits	(129,812)	
Early retirement	<u>(234,951)</u>	<u>(364,763)</u>

Change in net assets of governmental activities (Exhibit B) \$ (566,828)

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2010

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ <u>61,731</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	41,402
Benefits	17,783
Supplies	<u>88,034</u>
Total operating expenses	<u>147,219</u>
Operating (loss)	<u>(85,488)</u>
Non-operating revenues:	
State sources	1,560
Federal sources	<u>84,303</u>
	<u>85,863</u>
Changes in net assets	375
Net assets beginning of year	<u>68,206</u>
Net assets end of year	<u>\$ <u>68,581</u></u>

See notes to financial statements.

CAL COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2010

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 61,731
Cash payments to employees for services	(59,185)
Cash payments to suppliers for goods or services	<u>(81,049)</u>
Net cash (used by) operating activities	<u>(78,503)</u>
Cash flows from non-capital financing activities:	
State grants received	1,560
Federal grants received	<u>77,298</u>
Net cash provided by non-capital financing activities	<u>78,858</u>
Net increase in cash and cash equivalents	355
Cash and cash equivalents beginning of year	<u>66,944</u>
Cash and cash equivalents end of year	<u>\$ 67,299</u>
Reconciliation of operating (loss) to net cash (used by) operating activities:	
Operating (loss)	\$ (85,488)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:	
Commodities used	7,005
(Increase) in inventory	<u>(20)</u>
	<u>\$ (78,503)</u>
Non-cash investing, capital and financing activities:	

During the year ended June 30, 2010, the District received federal commodities valued at \$7,005.

CAL COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

CAL Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Coulter, Alexander and Latimer, Iowa, and agricultural area in Franklin and Wright Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, CAL Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. CAL Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Franklin County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Physical Plant and Equipment Levy is used to purchase equipment (over \$500 per item) and for major repairs and improvements to buildings and grounds. It is funded primarily through a combination of property tax and income surtax.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa and grants from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000
Intangible assets	50,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2010.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures in the other expenditures function area exceeded the amount budgeted. The District did not exceed its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$983 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa School Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,100	-	-	10,100
Capital assets being depreciated:				
Site Improvements	239,384	-	-	239,384
Buildings	3,098,534	-	-	3,098,534
Furniture and Equipment	1,276,013	67,698	-	1,343,711
Total capital assets being depreciated	4,613,931	67,698	-	4,681,629
Less accumulated depreciation for:				
Site Improvements	210,355	2,441	-	212,796
Buildings	1,087,129	66,408	-	1,153,537
Furniture and Equipment	1,115,541	33,950	-	1,149,491
Total accumulated depreciation	2,413,025	102,799	-	2,515,824
Total capital assets being depreciated, net	2,200,906	(35,101)	-	2,165,805
Governmental activities, capital assets, net	\$ 2,211,006	(35,101)	-	2,175,905
Business type activities:				
Furniture and equipment	\$ 26,703	-	-	26,703
Less accumulated depreciation	26,703	-	-	26,703
Business type activities capital assets, net	\$ -	-	-	-
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Transportation				\$ 19,280
Unallocated				83,519
				<u>\$ 102,799</u>
Business Type activities:				
Food service operations				\$ -

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$115,016, \$105,979, and \$102,845 respectively, equal to the required contributions for each year.

(5) **Risk Management**

CAL Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(6) **Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$123,551 for year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(7) **Commitment**

The District committed \$1,240,000 for the replacement of a boiler and HVAC updates. This project was completed after the end of the fiscal year ending June 30, 2010.

(8) **Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 54 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$135,684
Interest on net OPEB Obligation	-
Adjustment to annual required contribution	-
Annual OPEB Cost	135,684
Contributions made	(5,872)
Increase in net OPEB obligation	129,812
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$129,812</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$5,872 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$135,684	0.4%	\$129,812

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$1,104,329 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,104,329. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,785,000 and the ratio of the UAAL to covered payroll was 61.9%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presented as Required Supplementary Information, in the section following the Notes to Financial Statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

Projected claim costs of the medical plan are \$240 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Early Retirement

In 2010, the District instituted an early retirement program for employees who had reached 55 years of age and over ten years of service to the District. The amount paid by the District for future health insurance premiums is dependent on the number of years of service. A total of \$222,242 is shown on the Statement of Activity to be paid in future years.

Required Supplementary Information

CAL COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 1,881,486	61,731	1,943,217	1,888,042	1,888,042	55,175
State sources	1,158,283	1,560	1,159,843	1,571,534	1,571,534	(411,691)
Federal sources	307,179	84,303	391,482	166,921	166,921	224,561
Total revenues	<u>3,346,948</u>	<u>147,594</u>	<u>3,494,542</u>	<u>3,626,497</u>	<u>3,626,497</u>	<u>(131,955)</u>
Expenditures/expenses:						
Instruction	2,378,765	-	2,378,765	2,463,759	2,463,759	84,994
Support services	725,550	-	725,550	1,011,507	1,011,507	285,957
Non-instructional programs	-	147,219	147,219	160,000	160,000	12,781
Other expenditures	434,308	-	434,308	259,938	259,938	(174,370)
Total expenditures/expenses	<u>3,538,623</u>	<u>147,219</u>	<u>3,685,842</u>	<u>3,895,204</u>	<u>3,895,204</u>	<u>209,362</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(191,675)	375	(191,300)	(268,707)	(268,707)	77,407
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing sources (uses)	(191,675)	375	(191,300)	(268,707)	(268,707)	77,407
Balance beginning of year	<u>1,421,204</u>	<u>68,206</u>	<u>1,489,410</u>	<u>1,121,749</u>	<u>1,121,749</u>	<u>367,661</u>
Balance end of year	<u>\$ 1,229,529</u>	<u>68,581</u>	<u>1,298,110</u>	<u>853,042</u>	<u>853,042</u>	<u>445,068</u>

See accompanying independent auditor's report.

CAL COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2010, expenditures exceeded the amount budgeted in the other expenditures function. The District did not exceed the General Fund unspent authorized budget.

CAL COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$0	\$1,104	\$1,104	0.0%	\$1,785	61.8%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

CAL COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	\$ (1,203)	3,339	2,136	-
Vocal Music	308	591	899	-
Instrumental Music	(163)	1,023	860	-
Cross Country	(114)	1,581	1,467	-
Golf	(1,447)	2,276	829	-
Boys Basketball	3,713	3,006	4,719	2,000
Football	1,635	7,171	8,806	-
Baseball	(3,124)	6,396	3,121	151
Boys Track	(538)	1,520	1,096	(114)
Wrestling	422	386	808	-
Girls Basketball	2,969	4,400	7,190	179
Volleyball	(1,925)	4,328	2,403	-
Softball	(3,268)	6,437	3,137	32
Girls Track	(2,702)	5,412	2,710	-
Early Childhood/Preschool	1,399	-	1,399	-
Annual	(1,404)	1,343	3,226	(3,287)
Activity Passes	4,182	3,292	7,324	150
Art Club	1	-	1	-
FFA	6,410	15,839	16,485	5,764
Cheerleaders	1,345	351	1,371	325
National Honor Society	22	147	169	-
District Football	-	300	66	234
Washington DC Trip	3,175	26,271	29,446	-
Spanish Club	291	-	-	291
Student Council	2,102	3,333	3,503	1,932
Class of 2008	(56)	56	-	-
Class of 2016	344	-	344	-
Class of 2010	1,332	1,600	2,887	45
Class of 2011	3,118	2,032	2,860	2,290
Class of 2012	1,721	1,329	460	2,590
Class of 2013	608	2,969	2,969	608
Class of 2015	-	2,969	1,839	1,130
Class of 2014	1,460	1,033	655	1,838
High School Activity	(71)	2,224	1,893	260
Elementary Activity	473	4,636	3,014	2,095
Jr High Boys Basketball	232	-	232	-
Jr High Boys Track	210	-	96	114
Jr High Football	200	294	494	-
Jr High Volleyball	(56)	56	-	-
Jr High Girls Basketball	(144)	777	269	364
Jr High Girls Track	150	56	206	-
Instrument Rental	4,161	105	4,140	126

CAL COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Greenhouse	(231)	2,738	2,507	-
Concessions	3,463	4,283	6,415	1,331
Nurses Fund	753	-	607	146
Interest	73,372	1,741	13,849	61,264
Jump Rope for Heart	111	-	-	111
Music Resale	(1,040)	1,288	248	-
Art Resale	45	-	35	10
Materials for Resale	174	690	-	864
RIF	906	4,323	4,794	435
Total	<u>\$ 103,321</u>	<u>133,941</u>	<u>153,984</u>	<u>83,278</u>

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
CAL Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of CAL Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 8, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CAL Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of CAL Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CAL Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-10 and I-B-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no items which we consider to be significant deficiencies.

Compliance and Other Matters

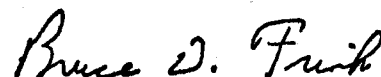
As part of obtaining reasonable assurance about whether CAL Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

CAL Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit CAL Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of CAL Community School District and other parties to whom CAL Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of CAL Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 8, 2011

CAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2010

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

I-A-10 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response accepted.

I-B-10 Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

CAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2010

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-10 Certified Budget - Expenditures for the year ended June 30, 2010 exceeded the amount budgeted in the other expenditures function. The District did not exceed its General Fund unspent authorized budget.
- Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion - Response accepted.
- II-B-10 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-10 Business Transactions - No business transactions between the District and District officials or employees.
- II-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-10 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- II-G-10 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-H-10 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-I-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-J-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-K-10 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

CAL COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2010

Part II: Other Findings Related to Required Statutory Reporting:
(continued)

II-L-10 Statewide sales, services and use tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning balance	\$ 64,215
Statewide sales, services and use tax revenue	164,271
Expenditures/transfers out:	
School infrastructure:	
Other improvements	<u>228,486</u>
Ending balance	\$ <u> </u> -

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 Of Taxable Valuation	Property Tax Dollars
Physical Plant and Equipment Levy	\$1.00	\$114,444
General Fund	<u>.44</u>	<u>49,827</u>
	<u>\$1.44</u>	<u>164,271</u>

II-M-10 Deficit Balance - The Student Activity Fund had several accounts with deficit balances at June 30, 2010.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a positive financial condition.

Response - The District will consider alternatives to eliminate the deficits in the Student Activity Fund accounts at the end of the fiscal year.

Conclusion - Response accepted.